

Message Text

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ACTION EB-07

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SUBJ: FISCAL REFORM MEASURES

REF: (A) LISBON A-99 OF APRIL 23, 1976

(B) LISBON A-61 OF MARCH 5, 1976

SUMMARY: IN TELEVISION ADDRESS MAY 11, UNDERSECRETARY OF STATE FOR THE BUDGET HENRIQUE MEDINA CARREIRA OUTLINED PORTUGAL'S ECONOMIC PROBLEMS AND ANNOUNCED GOP INTENTION TO REFORM THE TAX SYSTEM. ONE MAJOR INNOVATION WOULD BE THE DESIGNATION OF A SINGLE GOVERNMENT DEPARTMENT TO COLLECT ALL TAXES. END SUMMARY.

1. IN TELEVISION ADDRESS MAY 11, UNDERSECRETARY OF THE BUDGET HENRIQUE MEDINA CARREIRA HIGHLIGHTED FOLLOWING ECONOMIC AND FISCAL PROBLEMS FACING PORTUGAL:

A. NATION'S PRINCIPAL ECONOMIC PROBLEMS INCLUDE A RAPID LOSS OF FOREIGN EXCHANGE, LARGE TRADE DEFICIT, LOW PRODUCTION, HIGH CONSUMPTION, INSUFFICIENT INVESTMENT, LACK OF EMPLOYMENT CREATION, AND POOR FINANCIAL SITUATION OF MANY COMPANIES.

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B. GOVERNMENT REVENUE PRESENTED A DISAPPOINTING

PICTURE. DIRECT TAX RECEIPTS, WHICH ROSE 21 PERCENT IN 1974, FELL TWO PERCENT IN 1975. MEDINA CARREIRA PREDICTED THAT POOR FINANCIAL SITUATION OF MOST COMPANIES WOULD CAUSE A 30 PERCENT DROP IN INDUSTRIAL TAX REVENUES THIS YEAR.

2. IN ADDITIONAL TO ADVOCATING REDUCED IMPORTS AND CONSUMPTION, AND INCREASED EXPORTS AND PRODUCTION, MEDINA CARREIRA ANNOUNCED A GENERAL REORGANIZATION OF THE REVENUE COLLECTION SYSTEM. MEASURES TO BE TAKEN SHORTLY WILL INCLUDE:

A. ELABORATION OF A UNIFORM AND PROGRESSIVE INCOME TAX;

B. INSTITUTION OF PENALTIES FOR NONPAYMENT OF TAXES;

C. ELIMINATION OF TAXES WHOSE RECEIPTS DO NOT COVER THEIR ADMINISTRATIVE COSTS;

D. REVISION OF LOCAL TAXES;

E. CLARIFICATION AND CONSOLIDATION OF TAX EXEMPTIONS;
AND

F. ASSIGNMENT OF RESPONSIBILITY FOR COLLECTION OF ALL TAXES TO ONE GOVERNMENT DEPARTMENT.

3. COMMENT: TENOR OF HENRIQUE MEDINA CARREIRA'S STATEMENT CONTRASTS SHARPLY WITH OVERLY OPTIMISTIC TONE THAT CHARACTERIZED OFFICIAL ECONOMIC PRONOUNCEMENT DURING PRE-ELECTORAL PERIOD. HOPEFULLY IT WILL PROVE TO BE ONLY THE START OF A GOP EFFORT TO ALERT THE POPULACE TO THE NATION'S REAL ECONOMIC SITUATION--AND TO THE NEED FOR PROMPTLY CURTAILING CONSUMPTION WHILE INCREASING OUTPUT.
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